

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

AMEMBASSY LONDON

C O N F I D E N T I A L STATE 230819

E.O. 11652: GDS

TAGS: EGEN-CG -UK

SUBJECT: EXIMBANK'S PAYMENT FACILITY AGREEMENT

REFS: (A) STATE 223495, (B) KINSHASA 7587, (C) KINSHASA 7734

1. GIVEN LONGSTANDING GOZ SUPPORT FOR CONCEPT OF PAYMENT FACILITY COMMENCING WITH LETTER OF FEBRUARY 14, 1976, SIGNED BY NZEZA, BOFOSSA, AND SAMBWA TOGETHER WITH COMMENT PARA. 3, REF, B, EXIMBANK MORE THAN SURPRISED AT SAMBWA'S MOST RECENT POSITION. FROM BEGINNING OF PERIOD ABOUT A YEAR AGO WHEN INGA-SHABA OVERRUN SURFACED EXIMBANK COULD HAVE TAKEN POSITION THAT GOZ OBLIGED ACCORDING TO CREDIT AGREEMENT (ARTICLE VI B.-8) TO PROVIDE ANY OVER-RUN FINANCING FOR PROJECT. THAT EXIMBANK HAS NOT ONLY AUTHORIZED OVERRUN FINANCING BUT ALSO REVISED PAYMENT FACILITY AGREEMENT IN EFFORT TO CONCLUDE FINANCING ARE SIGNIFICANT MEASURES OF ITS COOPERATIVE AND FLEXIBLE ATTITUDE. ON THE OTHER HAND, AS A USG AGENCY REQUIRED TO LEND ON BUSINESSLIKE BASIS WITH A FINDING
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OF REASONABLE ASSURANCE OF REPAYMENT IN EACH CASE, EXIMBANK CANNOT

JUSTIFY OVERRUN FINANCING IN ABSENCE PAYMENT FACILITY AGREEMENT
FOR NEW MONEY.

2. EXIMBANK COMMENTS ON SAMBWA'S CONCERN FOLLOW IN ORDER LISTED REF.
C:

A. DURING SEPTEMBER 2 BEIM-SAMBWA MEETING BEIM STATED SAMBWA'S
PROPOSAL TO INCLUDE INGA-SHABA DEBT UNDER 10 PERCENT SET ASIDE ACCOUN
T
WOULD BE EXPLORED BY EXIMBANK, BUT DID NOT REPEAT NOT AGREE TO
CONCEPT ON THE SPOT. TYPE OF PRIORITY ENVISIONED BY SAMBWA NOT CLEAR
AT MEETING AND ONLY FULLY EXPLAINED IN REF. C.

B. FOLLOWING BEIM'S RETURN AND RECEIPT REF. C, PROPOSAL REVIEWED
BY EXIMBANK AND FOUND NOT ONLY UNACCEPTABLE, BUT IN FACT QUITE DANGE-
ROUS. FOR GOZ TO OFFER EXIMBANK PRIORITY PAYMENT FROM SET ASIDE
ACCOUNT BASED ON PRIVATE LETTER IS DEVICE THAT WOULD RUN COUNTER TO
SAMBWA'S ASSURANCES OF NO PRIORITIES TO BANKERS. EXIMBANK CANNOT
OPERATE ON BASIS PRIVATE LETTER AS ARRANGEMENT BORDERS ON BEING UN-
ETHICAL AND WOULD QUICKLY BECOME KNOWN THROUGH NORMAL BANKING EX-
CHANGE OF INFORMATION ON STATUS INGA-SHABA CREDITS. THIS WAS MADE
CLEAR BY BEIM AT SEPTEMBER 2 MEETING. FURTHERMORE, EXIMBANK BELIEVES
IMF, PARIS CLUB, AND COMMERCIAL BANKS WOULD ALL BE THOROUGHLY AROUSED
WHEN EXIMBANK'S PRIORITY, IN WHAT THEY UNDERSTAND TO BE AN EQUAL
ACCESS ACCOUNT, BECAME KNOWN.

C. SAMBWA'S CONCERN THAT OTHER LENDERS OFFERING NEW MONEY
MIGHT REQUIRE SOME SORT OF PAYMENT FACILITY MAY HAVE VALIDITY. GOZ
COULD RESTRICT SUCH ARRANGEMENTS TO CASES WHERE LONG TERM (OVER FIVE
YEARS) CREDIT BEING PROVIDED BY NON AID-TYPE LENDERS. EXIMBANK
CONSIDERS THIS LOGICAL RESULT OF GOZ DEBT PAYMENT PROBLEMS AND
FAILURE TO BETTER MANAGE ITS ECONOMY. PAYMENT FACILITY MAKES DEBT
REPAYMENT REASONABLY AUTOMATIC BY REMOVING MANAGEMENT ELEMENT FROM
PAYMENT DECISIONS. UNTIL ZAIRE PUT ON FOOTING WHERE LENDERS CAN
RELY ON ITS SOVEREIGN PROMISE TO PAY, ARRANGEMENTS SUCH AS PAYMENT
FACILITY MAY BE NECESSARY.

D. EXIMBANK CONVINCED THAT SAMBWA'S SO-CALLED PROBLEM WITH
COMMERCIAL BANKS IN EXAGGERATED. SUCH LENDERS HAVE ALWAYS BEEN
WILLING TO ACCORD AN IMPROVED POSITION TO NEW MONEY BEING PUT INTO
NEAR BANKRUPTCY OR PROBLEM CREDIT SITUATIONS. WITH RESPECT TO REVISE
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PAYMENT FACILITY AGREEMENT, IBRD, MORGAN GUARANTY, CHEMICAL BANK,
CONTINENTAL ILLINOIS, AND CHASE MANHATTAN HAVE AGREED IT IS REASONABL
E
AND ACCEPTABLE COMPROMISE, WHILE CITIBANK AND BANKERS TRUST ACTIVELY
REVIEWING SITUATION. LATTER TWO BANKS EXPECTED TO DROP THEIR SUITS
IN NEAR FUTURE. AT SEPTEMBER 22 MEETING SAMBWA CAN POINT TO ABOVE
FACTS AS WELL AS FACT REVISED PAYMENT FACILITY WILL RELATE TO MINIMAL
AMOUNTS AT THIS POINT. IN LIGHT OF ABOVE EXIMBANK

BELIEVES IT UNLIKELY THAT A FOREIGN BANK WILL NOW OBJECT TO PAYMENT FACILITY.

3. REVISED PAYMENT FACILITY AGREEMENT, GECAMINES CREDIT AGREEMENT, AND SLIGHTLY REVISED SNEL CREDIT AGREEMENT BEING CARRIED TO KINSHASA BY ADAMS OF M-K WHO EXPECTED TO ARRIVE SEPTEMBER 21. M-K AWARE OF SAMBWA'S CURRENT POSITION AND MOST CONCERNED AS IT REQUIRES FUNDS IN NEAR FUTURE TO PREVENT ABANDONMENT OF PROJECT. TIMINGPROBLEM UNDERSCORES FACT NEW APPROACHES ON REPAYMENT ASSURANCE, ESPECIALLY OF NATURE OUTLINED ABOVE, NOT PRACTICAL.

4. EXIMBANK CANNOT EMPHASIZE TOO STRONGLY THAT GOZ HAS MOST FORTHCOMING, REASONABLE PROPOSAL BEFORE IT, ONE THAT SHOULD ASSURE COMPLETION THIS IMPORTANT PROJECT. IF PROJECT COLLAPSE ATTRIBUTED TO LAST MINUTE GOZ SWITCH AT VERY MOMENT WHEN COMMERCIAL BANKS APPEAR TO BE ACCEPTING COMPROMISE, IT WOULD BE MOST UNFORTUNATE. EXIMBANK, HOWEVER, ALWAYS UNDERSTOOD ZAIRE'S COMMITMENT TO INGA-SHABA LINE WAS OF LONG STANDING, THOROUGHGOING NATURE AND NOT SUBJECT TO IMPULSIVE DAY-TO-DAY CHANGES.

5. SINCE SAMBWA APPEARS TO HAVE COME AWAY FROM BEIM MEETINGS WITH SERIOUS MISCONCEPTION OF EXIMBANK'S POSITION, EXIMBANK REQUESTS EMBASSY ARRANGE ANOTHER BEIM-SAMBWA MEETING IN LONDON ON SEPTEMBER 21.

BEIM WILL THEN HAVE OPPORTUNITY TO ELABORATE ON ABOVE, PLACE EMPHASIS

ON FACT THIS IS FINAL EXIMBANK OFFER, AND OBTAIN SAMBWA'S CONCURRENCE WHICH IS NECESSARY IF M-K TO CONTINUE ON JOB. ON SEPTEMBER 17 MCMURRAN, PRESIDENT OF M-K, CALLED EXIMBANK TO STATE THAT UNLESS FINANCING SOLUTION WAS APPARENT BY SEPTEMBER 30 INVOLVING PROBABLE AVAILABILITY OF FUNDS BY OCTOBER 31, M-K WILL CEASE ACTIVITY IN PROJECT BY END OF SEPTEMBER. CONSEQUENTLY, IT MUST BE MADE APPARENT TO GOZ THAT IF SAMBWA REJECTS EXIMBANK OFFER PROJECT WILL BE CLOSED
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DOWN IN VERY NEAR FUTURE. ROBINSON

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